

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF ORANGE CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

Prepared by the
Office of the City Administrator
Duane Feekes, City Administrator

CITY OF ORANGE CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008
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January 23, 2009

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Orange City:

State law requires the every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Williams & Company, Certified Public Accountants, have issued an unqualified "clean" opinion on the City of Orange City's financial statements for the year ended June 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Orange City incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the

"A GOVERNMENT OF SERVICE"

government's administrator, who in turn appoints the heads of the various departments with council approval. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis. The City Administrator has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board of which is reported separately within the City of Orange City's financial statements. Additional information on hospital can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15th. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

Local Economy

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being Staples, Inc., an advertising product manufacturer and promotional products, Advance Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment.

Fiscal year 2007-2008 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The City partnered with the school district, the City of Alton, and Orange City Area Health System to construct a new daycare complex. The complex will open in September 2008. The Daycare center will accommodate approximately 180 children. The building will have a total of 14,000 square feet. The entities involved formed a 28E agreement which established a committee to oversee the usage of the daycare center.

The City made many changes to their park system this past year. We remodeled our Bandshell for a cost of \$ 112,640. The City received a state grant in the amount of \$95,000 to help with the costs of this project. We completed the park project this fiscal year.

The City is developing a new housing subdivision called Puddlejumper Trail 4th Addition. This addition will extend off of 11th Street SE, along the Puddlejumper Trail creating 25 lots. The estimated cost of this project is \$ 275,000.

The City went out for bids on an airport improvement project. The project will redo some of our concrete panels in our runway. The contract was for approximately \$125,000. This project will help the airport remain in good conditions for future years.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

Long-Term financial planning

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 44 and 50 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

Awards and Acknowledgements


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.


In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Orange City has received a Certificate of Achievement for the last 25 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

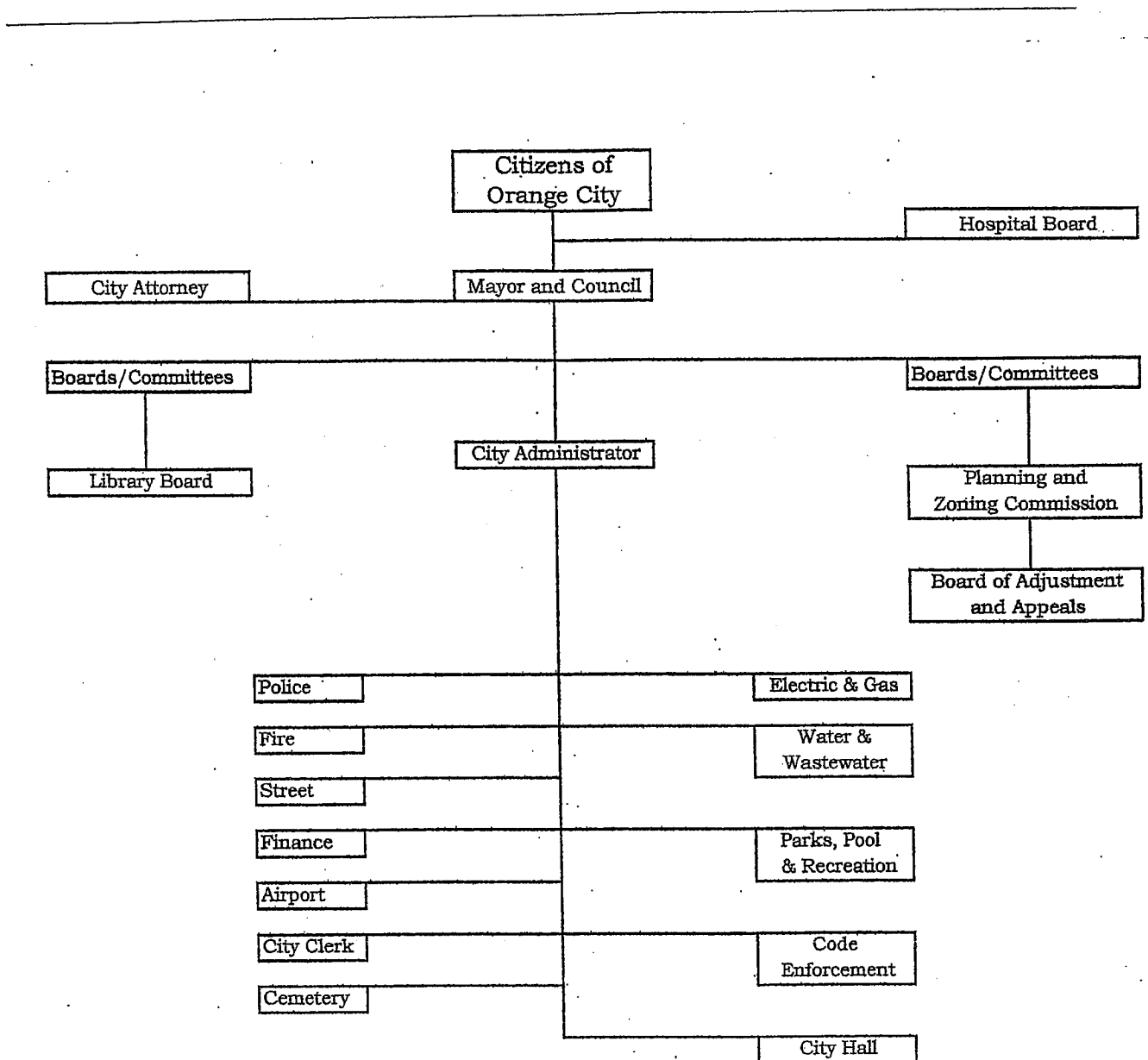
Respectfully submitted,


Duane Feekes
City Administrator


Kent Anderson
Finance Officer

CITY OF ORANGE CITY, IOWA

Organizational Chart
June 30, 2008



CITY OF ORANGE CITY, IOWA

Directory of City Officials
Elected City Officers
June 30, 2008

MAYOR

Daryl Beltman

COUNCIL MEMBERS

Bonnie Meier
Steve Roesner
Mick Snieder
Bruce Muilenburg
Earl Woudstra

HOSPITAL TRUSTEES

Les Douma - Secretary
Randy Jacobsma - Vice Chairman
Russ Adams
Shirley Van Wechel
Tim Zeutenhorst - Chairman
Brenda Herda
Gary Vande Vegte

APPOINTED CITY OFFICERS

Duane Feekes
City Administrator

Loren Veldhuizen
City Attorney

APPOINTED BOARDS AND COMMISSIONS

ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman
John Kooiman, Vice Chairman
Ben Van Engelenhoven
Don Engelties
Audley Van Peurse

PLANNING AND ZONING COMMISSION

Mark Lunderg, Chairman
Dale Pluim, Vice Chairman
Scott Heemstra
Marlin Vollink
Rhonda Moret
Scott Simmelink
Amy Schutt

ARTS COUNCIL

Coleman McAllister, President
Jim Daniels, Vice President
Keith Allen, Secretary
Mike Stokes, Treasurer
Lynette Schuller
Greg Haverdink
Bob Hubbard
Sharon Kleis
Mary Reinders
Phil Scorza
Shelia Van Den Brink
Julia Huisman
Cheryl Kugler
Judy Thompson
Joyce Bloemendaal, Executive Director

LIBRARY BOARD OF DIRECTORS

John Buntsma, President
Coleman McAllister, Vice President
Jim Ludens, Treasurer
Mary Vande Brake, Secretary
Leora Olson
Peg Juffer
Bruce Leuer

FIRE DEPARTMENT

Scott Arft
Mike Avery
Jason Bruinsma
Rob Bruxvoort
Kevin Dekker
Brian De Kock
Jon DeKoster
Brad De Vos
David Dykstra
Michael Dykstra
Josh Dykstra
Mel Elsberry
Chad Hase
Tim Huffman
Alan Jeltema
Gary Jeltema
Darwin Koele
John Lambert
Ann Lundberg
Ken Meendering
Cory Riemersma
Mike Ritz
Dan Roghair
Dan Schram
Bruce Schutt
Dennis Vander Wel, Chief
Brad White

CITY PERSONNEL

ADMINISTRATION

Kent Anderson
Gary Blythe
Janet Brown
Duane Feekes
Ted Loucks
Ken Meendering
Barb Ramsey
Mary Wichers

Finance Officer
Assistant Administrator
City Clerk
City Administrator
Public Works Director
Code Officer
Billing Clerk
Receptionist/Secretary

POLICE DEPARTMENT

Dann De Vries
Peter De Beer
Duane Hulstein
Bruce Jacobsma
Jim Pottebaum
Wesley Van Voorst
Robert Van Zee

Chief of Police
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer

STREET DEPARTMENT

Don Snieder
Kirk Maasdam
Randy Van De Griend

Street Crewman/Mechanic
Street Crewman
Street Foreman

PARKS AND RECREATION

Mitch Aalbers
Brian Goslinga
Amanda Wiggins

Director
Park Maintenance
Pool/Fitness Director

MUNICIPAL BUILDINGS

Bill Van Marel Jr.

Custodian

UTILITIES

Alan De Boer
David Sassman
Michael Klootwyk
Jerry Reuvers
Arlan Scholten
Walt Schwebach
Michael Verdoorn
Alan DeJong
Gerry Bomgaars
Ed DeJong

Electric Line Maintenance Worker I
Water & Wastewater Operator
Electric Line Maintenance Worker II
Water & Wastewater Operator
Electric Department Foreman
Water & Wastewater Foreman
Electric Line Maintenance Worker I
Electric Line Maintenance Worker I
Gas Utility Foreman
Gas Utility Crewman

AIRPORT

Dan Vander Weide

Base Operator

HOSPITAL

Martin W. Guthmiller
Dina Baas

Administrator
Chief Financial Officer

LIBRARY

Karla Chase

Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$53,768,791 and total program revenues of \$35,144,553 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2009, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Orange City, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Langley, P.C.
Certified Public Accountants

Le Mars, Iowa
January 23, 2009

Management's Discussion and Analysis

June 30, 2008

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2008. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City's Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Orange City exceeded liabilities at June 30, 2008 by \$28,868,961. Of this amount, \$5,339,249 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,893,770 during the year. Of this amount, the assets of our Governmental Activities increased by \$1,122,172 and the assets of our Business Activities increased \$771,598.
- The City's long-term debt increased \$825,000 during the current fiscal year. The key factor in the increase was the issuance of \$1,650,000 in General Obligation Capital Loan Notes. Outstanding General Obligation debt totals \$8,610,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2008 and 2007.

	General Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and Other Assets	\$ 5,530,323	\$ 4,534,528	\$ 8,637,523	\$ 7,466,169
Capital Assets	16,897,982	16,045,090	17,677,649	17,689,878
Total Assets	22,428,305	20,579,618	26,156,047	26,156,047
Long-Term Liabilities Outstanding	8,660,875	7,860,000	6,624,927	7,110,000
Other Liabilities	3,161,851	3,266,210	1,426,863	1,554,263
Total Liabilities	11,822,726	11,096,210	8,051,790	8,664,263
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,563,418	11,505,090	10,657,299	10,124,878
Restricted	96,313	109,467	1,212,682	1,183,353
Unrestricted	(1,054,152)	(2,131,149)	6,393,401	6,183,553
Total Net Assets	\$ 10,605,579	\$ 9,483,408	\$ 18,263,382	\$ 17,491,784

	Totals	
	2008	2007
Current and Other Assets	\$14,167,846	\$12,000,697
Capital Assets	34,875,631	33,734,968
Total Assets	48,743,477	46,735,665
Long-Term Liabilities Outstanding	15,285,802	14,940,000
Other Liabilities	4,588,714	4,820,473
Total Liabilities	19,874,516	19,760,473
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,220,717	21,629,968
Restricted	1,308,995	1,292,820
Unrestricted	5,339,249	4,052,404
Total Net Assets	\$28,868,961	\$26,975,192

This summary reflects an increase of 11.83% for the governmental net assets and an increase of 4.41% in the business-type net assets. The governmental net asset increase is primarily due to expending resources for capital projects greater than depreciation expense by \$ 944,255

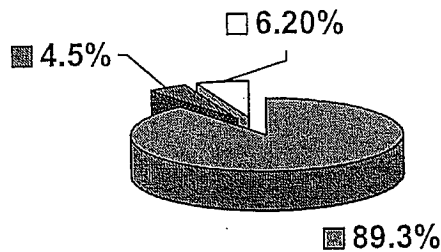
Total revenue reported in Fiscal 2008 was \$18,033,524. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2008 and 2007:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Program Revenues:				
Charges for Services	\$ 395,664	\$ 473,839	\$ 11,910,551	\$ 11,069,494
Operating Grants and Contributions	619,533	682,784	-	-
Capital Grants and Contributions	853,361	187,158	-	-
Total Program Revenues	<u>1,868,558</u>	<u>1,343,781</u>	<u>11,910,551</u>	<u>11,069,494</u>
General Revenues & Interfund Transfers:				
Property Taxes	2,511,016	2,460,542	-	-
Local Option Sales Tax	607,761	558,312	-	-
Interest	93,735	102,119	172,553	154,986
Gain (Loss) on Sales of Assets	-	38,640	-	-
Miscellaneous	926,494	106,100	34,220	95,661
Total General Revenues	<u>4,139,006</u>	<u>3,265,713</u>	<u>206,773</u>	<u>250,647</u>
Interfund Transfers	243,448	1,321,665	(243,448)	(1,321,665)
Total General Revenues & Interfund Transfers:	<u>\$ 4,382,454</u>	<u>\$ 4,587,378</u>	<u>(36,675)</u>	<u>(1,071,018)</u>
Total Revenues & Interfund Transfers:	<u>\$ 6,251,012</u>	<u>\$ 5,931,159</u>	<u>\$ 11,873,876</u>	<u>\$ 9,998,476</u>

Revenue Source	Totals	
	2008	2007
Program Revenues:		
Charges for Services	12,306,215	11,543,333
Operating Grants and Contributions	619,533	682,784
Capital Grants and Contributions	853,361	187,158
Total Program Revenues	<u>13,779,109</u>	<u>12,413,275</u>
General Revenues & Interfund Transfers:		
Property Taxes	2,511,016	2,460,542
Local Option Sales Tax	607,761	558,312
Interest	266,288	257,105
Gain (Loss) on Sales of Assets	-	38,640
Miscellaneous	960,714	201,761
Total General Revenues	<u>4,345,779</u>	<u>3,516,360</u>
Interfund Transfers	-	-
Total General Revenues & Interfund Transfers:	<u>\$ 4,345,779</u>	<u>\$ 3,516,360</u>
Total Revenues & Interfund Transfers:	<u>\$ 18,124,888</u>	<u>\$ 15,929,635</u>

Program revenues totaled \$13,779,109 for fiscal year 2008. Governmental Activities provided \$1,868,558 and Business-Type Activities provided \$11,910,551. Revenue collected for Charges for Services during fiscal year 2008 was \$12,306,215, accounting for 89.3% of the total program revenues. The following chart breaks down program revenues by source:

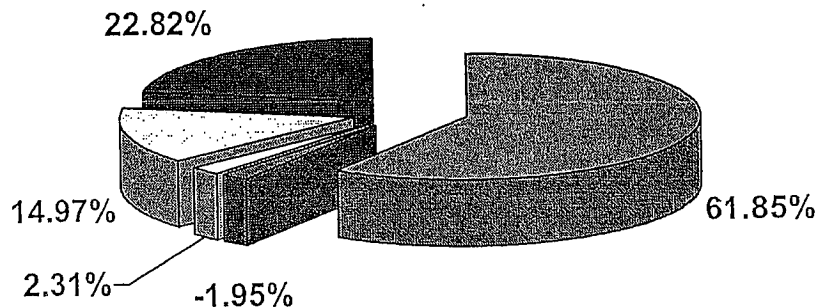
Program Revenues



- Program Revenue 89.30%
- Operating Grants and Contributions 4.50%
- Capital Grants and Contributions 6.20%

General Revenues for fiscal year 2008 totaled \$4,345,779. Governmental Activities provided \$4,139,006 and Business-Type Activities used \$206,773. Property Tax Revenues for fiscal year 2008 totaled \$2,511,016, accounting for 62.0% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



- Taxes 61.85%
- Loss on Sale of Assets -1.95%
- Interest 2.31%
- Local Option Sales Tax 14.97%
- Miscellaneous 22.82%

Expenses for Fiscal 2008 totaled \$ 16,231,118. Expenses for General Governmental Activities totaled \$ 5,128,840, accounting for 31% of total expenditures. Business-Type Activity expenditures totaled \$ 11,102,278, for 69% of the total.

The following table shows total expenditures by Function/Program for FY 2008 and FY 2007:

	General Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Public Safety	\$ 717,219	\$ 628,231	-	-
Public Works	1,922,753	1,726,845	-	-
Culture and Recreation	1,218,886	1,008,064	-	-
Community & Economic Development	338,867	348,231	-	-
General Government	560,630	427,357	-	-
Capital Projects	31,062	-	-	-
Debt Service	339,423	363,550	-	-
Sewer System	-	-	\$ 490,251	\$ 466,201
Water System	-	-	754,465	725,194
Electric System	-	-	5,496,756	5,098,083
Natural Gas System	-	-	4,360,806	4,106,127
Total Expenditures	5,128,840	4,502,278	11,102,278	10,395,605

	Totals	
	2008	2007
Public Safety	\$ 717,219	\$ 628,231
Public Works	1,922,753	1,726,845
Culture and Recreation	1,218,886	1,008,064
Community & Economic Development	338,867	348,231
General Government	560,630	427,357
Capital Projects	31,062	-
Debt Service	339,423	363,550
Sewer System	490,251	466,201
Water System	754,465	725,194
Electric System	5,496,756	5,098,083
Natural Gas System	4,360,806	4,106,127
Total Expenditures	\$ 16,231,118	\$ 14,897,883

The following table shows the net change in net assets for FY2008 and FY2007:

	General Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Total Program Revenues	\$1,868,558	\$1,343,781	\$ 11,910,551	\$ 11,069,484	\$ 13,779,109	\$ 12,413,275
Total General Revenues	4,139,006	3,265,713	206,773	250,647	4,345,779	3,516,360
Less Expenses	(5,128,840)	(4,502,278)	(11,102,278)	(10,395,605)	(16,231,118)	(14,897,883)
Net Change in Net Assets						
Before Transfers	878,724	107,216	1,015,046	924,536	1,893,770	1,031,752
Transfers	243,448	1,321,665	(243,448)	(1,321,665)	-	-
Net Change in Net Assets	\$1,122,172	\$1,428,881	\$ 771,598	\$ (397,129)	\$ 1,893,770	\$ 1,031,752

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

Governmental of Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$ 717,219 and received \$109,043 in revenue, thus leaving a cost to the taxpayer of \$ 608,176 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$5,128,840. Of these costs, \$395,664 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions was \$1,015,197, leaving a Net Expense of \$3,260,282 for Governmental Activities. These expenses of \$3,260,282 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2008	2007
Governmental Activities:		
Public Safety	\$ (608,176)	\$ (491,888)
Public Works	(375,147)	(884,570)
Culture and Recreation	(1,032,612)	(680,414)
Community and Economic Development	(321,781)	(322,720)
General Government	(552,081)	(415,355)
Capital Projects	(31,062)	-
Debt Service	(339,423)	(363,550)
Total Net (Expense) Revenue Governmental Activities	(3,260,282)	(3,158,497)
General Revenues & Interfund Transfers	4,382,454	4,587,378
Change in Net Assets	\$ 1,122,172	1,428,881

Total resources available during the year to finance governmental operations were \$14,881,058, consisting of Net Assets at July 1, 2007 of \$9,483,407, Program Revenues of \$1,015,197 and General Revenues and Transfers of \$4,382,454. Total Governmental Activities during the year expended \$5,128,840; thus, Net Assets were increased by \$1,122,172 to \$10,605,579.

Business Type Activities

Business Type Activities increased the City's net assets by \$771,598.

The cost of all Proprietary Activities this year was \$11,102,278. As shown in the Statement of Activities, the amounts paid by users of the systems was \$11,910,551, resulting in total Net Revenue for Business Type Activities of \$808,273. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2008	2007
Electric System	\$ 514,152	\$ 361,063
Water System	50,686	116,163
Sewer System	44,940	77,922
Natural Gas System	198,495	118,741
Total Net (Expense) Revenue Business-Type Activities	808,273	673,889
General Revenues & Interfund Transfers	(36,675)	(1,071,018)
Change in Net Assets	\$ 771,598	\$ (397,129)

Total resources available during the year to finance Proprietary Fund activities were \$29,365,660, consisting of Net Assets at July 1, 2007 of \$17,491,784, Program Revenues of \$11,910,551 and General Revenues and Transfers of \$(36,675). Total Proprietary Fund Activities during the year expended \$11,102,278; thus Net Assets were increased by \$771,598 to \$18,263,382.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,134,105. The combined Governmental Funds balance increased \$1,076,684 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures exceeded revenues in the General fund by \$161,344.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, revenues exceeded expenditures by \$3,301.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax dollars to be used for property tax replacement and therefore transferred to the general fund.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

General Fund Budgetary Highlights

Comparing the fiscal year 2008 original (adopted) General Fund amount of \$2,835,066 to the final budget amount of \$3,337,066 shows a net increase of \$502,000.

Original Budget	Supplemental Changes	Amended Budget
\$2,835,066	\$ 502,000	\$ 3,337,066

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 913,199	\$ 896,293	\$ 16,906
Public Works	853,405	937,386	(83,981)
Culture and Recreation	1,164,201	1,194,084	(29,883)
Community and Economic Development	348,363	337,597	10,766
General Government	465,519	453,942	11,577
Total Expenditures	\$ 3,744,687	\$ 3,819,302	\$ (74,615)

During the year there was a \$502,000 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$ 101,000 supplemental appropriation to the police and fire department for fuel costs and new rescue fire truck.
- \$ 49,000 supplemental appropriation to the airport for a new hanger roof and engineering costs associated to a runway repair project.
- \$ 70,000 supplemental appropriation to the parks department for repairs to existing sidewalks and relocating costs to our senior citizen center.
- \$ 280,000 supplemental appropriation to our economic development department for Tax Increment Financing rebates.
- \$ 2,000 supplemental appropriation to our City Hall department for costs associated with the last election.

A part of the increase was possible because of additional revenues. Those revenues included a bond issue for the rescue truck, sale of the senior citizens center building, tax increment financing dollars from the district, and additional interest investments monies. The rest of the appropriations were paid with the fund balance from the general fund.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2008, was \$22,220,717 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2008 are as follows:

	General Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land				
Infrastructure				
Buildings	\$ 311,263			
Improvements-Other than Buildings	112,880	\$1,766,064		
Equipment	477,138	126,922	\$ 94,174	\$ 62,185
Utility Plant			794,079	497,261
Construction in Progress	1,768,368	1,935,307	207,103	1,090,543
Total Gross Additions	\$ 2,669,649	3,828,293	\$ 1,095,356	\$ 1,649,989

	Totals	
	2008	2007
Land		
Infrastructure		
Buildings	\$ 311,263	
Improvements-Other Buildings	112,880	\$ 1,766,064
Equipment	571,312	189,107
Utility Plant	794,079	497,261
Construction in Progress	1,975,471	3,025,850
Total Expenditures	\$3,765,005	\$ 5,478,282

Construction In Progress at June 30, 2008 for governmental activities consisted of costs associated with a new Daycare Center, Park Improvements, Downtown Streetscape, Puddlejumper 4th Addition, and Airport Improvements.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$15,720,000 of debt outstanding. Of this amount, \$ 8,610,000 comprises debt backed by the full faith and credit of the government. The remainder of \$ 7,110,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 75% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$12,662,759. With outstanding General Obligation Debt applicable to this limit of \$8,610,000, we are utilizing 68.0% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Orange City worked hard in FY 2008 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Orange City
	Activities	Activities		Municipal Hospital
ASSETS				
Cash and Cash Equivalents	\$ 527,071	\$ 148,362	\$ 675,433	\$ 5,274,536
Investments	1,817,635	2,584,000	4,401,635	1,667,084
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	186,406	886,025	1,072,431	5,765,354
Taxes	12,321	-	12,321	
Subsequent Year Taxes	2,322,085	-	2,322,085	
Accrued Interest	17,722	46,435	64,157	17,646
Other	-	12,284	12,284	
Estimated Unbilled Usage	-	366,325	366,325	
Special Assessments	67,437	-	67,437	
Notes Receivable	-	179,530	179,530	
Interfund Balances	(99,923)	99,923	-	
Due from Other Governmental Agencies	461,085	35,500	496,585	
Inventories	15,020	509,057	524,077	534,151
Prepaid Assets	73,028	45,670	118,698	159,549
Investment in Joint Venture	-	2,348,373	2,348,373	
Other	-	-	-	195,104
Restricted Assets, Cash and Investments:				
Cash and Cash Equivalents	-	389	389	2,588,932
Revenue Bond Current Debt Service Account - Investment	-	346,500	346,500	
Revenue Bond Future Debt Service Account - Investment	-	839,500	839,500	
Revenue Bond Renewal & Replacement Account - Investments	-	100,000	100,000	
Pledges Receivable	-	-	-	398,292
Bond Issue Costs	130,436	89,650	220,086	75,551
Land	759,438	339,916	1,099,354	1,139,373
Construction in Progress	3,975,699	1,217,624	5,193,323	13,139
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	12,162,845	16,120,109	28,282,954	35,940,080
Total Assets	22,428,305	26,315,172	48,743,477	53,768,791
LIABILITIES				
Accounts Payable	757,998	726,965	1,484,963	800,523
Accrued Wages and Compensated Absences	53,062	38,429	91,491	1,472,175
Accrued Expenses	-	27,222	27,222	123,711
Customer Deposits	-	25,540	25,540	
Deferred Revenue - Subsequent Year Taxes	2,322,085	-	2,322,085	
Accrued Interest	28,706	-	28,706	
Payables from Restricted Assets:				
Accrued Interest	-	73,707	73,707	447,941
Revenue Bonds - Current	-	535,000	535,000	72,000
Noncurrent Liabilities:				
Due within one year:				
General Obligation Bonds	825,000	-	825,000	
Compensated Absences and Benefits	50,875	49,927	100,802	
Due in more than one year:				
Revenue Bonds Payable	-	6,575,000	6,575,000	26,015,661
General Obligation Bonds	7,785,000	-	7,785,000	
Total Liabilities	11,822,726	8,051,790	19,874,516	28,932,011
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11,563,418	10,657,299	22,220,717	11,152,482
Restricted for:				
Debt Service	18,863	1,212,682	1,231,545	2,068,991
Permanent Funds - nonexpendable	77,450	-	77,450	
Donor Restrictions	-	-	-	398,292
Unrestricted	(1,054,152)	6,393,401	5,339,249	11,217,015
Total Net Assets	\$ 10,605,579	\$ 18,263,382	\$ 28,868,961	\$ 24,836,780

CITY OF ORANGE CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 717,219	\$ -	\$ 109,043	\$ -
Public Works	1,922,753	215,351	478,894	853,361
Culture and Recreation	1,218,886	154,678	31,596	-
Community and Economic Development	338,867	17,086	-	-
General Government	560,630	8,549	-	-
Capital Projects	31,062	-	-	-
Debt Service	339,423	-	-	-
Total governmental activities	<u>5,128,840</u>	<u>395,664</u>	<u>619,533</u>	<u>853,361</u>
Business-Type Activities:				
Electric Utility	5,496,756	6,010,908	-	-
Water Utility	754,465	805,151	-	-
Sewer Utility	490,251	535,191	-	-
Gas Utility	4,360,806	4,559,301	-	-
Total Business-Type Activities:	<u>11,102,278</u>	<u>11,910,551</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 16,231,118</u>	<u>\$ 12,306,215</u>	<u>\$ 619,533</u>	<u>\$ 853,361</u>
Component Unit:				
Orange City Municipal Hospital	<u>\$ 35,319,047</u>	<u>\$ 33,707,524</u>	<u>\$ 1,437,029</u>	<u>-</u>

General Revenues:
Property taxes
Local Option Sales Tax
Interest
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			Component Unit Orange City Municipal Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (608,176)		\$ (608,176)	
(375,147)		(375,147)	
(1,032,612)		(1,032,612)	
(321,781)		(321,781)	
(552,081)		(552,081)	
(31,062)		(31,062)	
(339,423)		(339,423)	
<u>(3,260,282)</u>		<u>(3,260,282)</u>	
	\$ 514,152	514,152	
	50,686	50,686	
	44,940	44,940	
	198,495	198,495	
	<u>808,273</u>	<u>808,273</u>	
<u>(3,260,282)</u>	<u>808,273</u>	<u>(2,452,009)</u>	
			\$ (174,494)
2,511,016	-	2,511,016	
607,761	-	607,761	
93,735	172,553	266,288	189,314
926,494	34,220	960,714	2,703
243,448	(243,448)	-	
<u>4,382,454</u>	<u>(36,675)</u>	<u>4,345,779</u>	<u>192,017</u>
1,122,172	771,598	1,893,770	17,523
9,483,407	17,491,784	26,975,191	24,819,257
<u>\$ 10,605,579</u>	<u>\$ 18,263,382</u>	<u>\$ 28,868,961</u>	<u>\$ 24,836,780</u>

CITY OF ORANGE CITY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2008

	General	Road Use Tax	Local Option Sales Tax
Assets			
Cash and Pooled Investments	\$ 270,743	\$ 35,356	\$ 90,681
Investments	1,095,185	215,000	430,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	186,406	-	-
Taxes	6,467	-	-
Subsequent Year Taxes	1,053,539	-	-
Accrued Interest	12,227	-	5,495
Special Assessments	67,437	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	921	38,336	88,778
Inventories	-	15,020	-
Total Assets	<u>2,692,925</u>	<u>303,712</u>	<u>614,954</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	379,646	-	-
Accrued Wages	53,062	-	-
Due to Other Funds	-	-	-
Unearned Revenue	59,609	-	-
Deferred Revenue - Subsequent Year Taxes	1,053,539	-	-
Total Liabilities	<u>1,545,856</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	-	15,020	-
Unreserved			
Special Revenue Funds	-	288,692	614,954
Capital Project Funds	-	-	-
General Fund	1,147,069	-	-
Total Fund Balances (Deficits)	<u>1,147,069</u>	<u>303,712</u>	<u>614,954</u>
Total Liabilities and Equity	<u>\$ 2,692,925</u>	<u>\$ 303,712</u>	<u>\$ 614,954</u>

See Accompanying Notes to Financial Statements

Debt Service	Day Care Center	Highway 10 Widening	Other Governmental Funds	Total Governmental Funds
\$ 41,809	\$ -	\$ 54,863	\$ 33,619	\$ 527,071
-	-	-	77,450	1,817,635
-	-	-	-	186,406
5,760	-	-	94	12,321
1,044,546	-	-	224,000	2,322,085
-	-	-	-	17,722
-	-	-	-	67,437
-	-	-	294,172	294,172
-	333,050	-	-	461,085
-	-	-	-	15,020
1,092,115	333,050	54,863	629,335	5,720,954
-	350,980	988	26,384	757,998
-	-	-	-	53,062
-	187,647	-	206,448	394,095
-	-	-	-	59,609
1,044,546	-	-	224,000	2,322,085
1,044,546	538,627	988	456,832	3,586,849
47,569	-	-	-	47,569
-	-	-	77,450	77,450
-	-	-	-	15,020
-	-	-	273,462	1,177,108
-	(205,577)	53,875	(178,409)	(330,111)
-	-	-	-	1,147,069
47,569	(205,577)	53,875	172,503	2,134,105
\$ 1,092,115	\$ 333,050	\$ 54,863	\$ 629,335	\$ 5,720,954

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 30)	\$ 2,134,105
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,897,982
Deferred revenues that provide current financial resources for governmental activities	59,609
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(28,706)
Accrued compensated absences not reported on the modified accrual basis	(50,875)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	130,436
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	73,028
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(8,610,000)</u>
Total Net Assets - Governmental Activities (page 26)	<u>\$ 10,605,579</u>

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2008

	General	Road Use Tax	Local Option Sales Tax
Revenue:			
Taxes	\$ 988,006	\$ -	\$ -
Licenses and Permits	5,120	-	-
Intergovernmental	140,639	478,893	-
Charges for Services	381,090	-	-
Fines and Forfeits	31,304	-	-
Contributions from Property Owners	9,686	-	-
TIF Revenue	273,615	-	-
Local Option Sales Tax	33,707	-	574,054
Interest on Investments	63,378	-	10,270
Miscellaneous	400,251	-	-
Total Revenue	2,326,796	478,893	584,324
Expenditures:			
Public Safety	896,293	-	-
Public Works	936,794	592	-
Culture and Recreation	1,194,084	-	-
Community and Economic Development	337,597	-	-
General Government	453,942	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	3,210	-	-
Total Expenditures	3,821,920	592	-
Excess (deficiency) of revenues over expenditures	(1,495,124)	478,301	584,324
Other financing sources (uses):			
Proceeds from Sale of Real Estate	12,224	-	-
Issuance of Debt	200,000	-	-
Transfers In	1,149,056	-	-
Transfers Out	(27,500)	(475,000)	(530,608)
Total other financing sources (uses)	1,333,780	(475,000)	(530,608)
Net Change in Fund Balance	(161,344)	3,301	53,716
Fund balances (Deficits)-beginning of year	1,308,413	300,411	561,238
Fund balances (Deficits)- end of year	\$ 1,147,069	\$ 303,712	\$ 614,954

See Accompanying Notes to Financial Statements

Debt Service	Day Care Center	Hiwhway 10 Widening	Other Governmental Funds	Total Governmental Funds
\$ 1,042,429	\$ -	\$ -	\$ -	\$ 2,030,435
-	-	-	-	5,120
-	385,000	853,361	-	1,857,893
-	-	-	-	381,090
-	-	-	-	31,304
-	-	-	-	9,686
-	-	-	222,552	496,167
-	-	-	-	607,761
11,517	345	432	7,795	93,737
-	-	-	99,263	499,514
1,053,946	385,345	853,793	329,610	6,012,707
-	-	-	-	896,293
-	-	-	-	937,386
-	-	-	-	1,194,084
-	-	-	-	337,597
-	-	-	-	453,942
-	1,220,639	279,091	299,701	1,799,431
755,000	-	-	115,000	870,000
285,744	10,283	13,007	40,718	352,962
1,040,744	1,230,922	292,098	455,419	6,841,695
13,202	(845,577)	561,695	(125,809)	(828,988)
-	-	-	-	12,224
-	640,000	810,000	-	1,650,000
-	-	120,000	7,500	1,276,556
-	-	-	-	(1,033,108)
-	640,000	930,000	7,500	1,905,672
13,202	(205,577)	1,491,695	(118,309)	1,076,684
34,367	-	(1,437,820)	290,812	1,057,421
\$ 47,569	\$ (205,577)	\$ 53,875	\$ 172,503	\$ 2,134,105

CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 33)		\$ 1,076,684
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 2,223,401	
Depreciation expense	<u>(1,279,146)</u>	944,255
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.		(91,360)
Revenues reported in the funds that are not available to provide current financial resources		(15,586)
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources		(18,831)
Accrued interest expense that does not require current financial resources		(1,388)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change is in the long-term compensated absences for the year was:		(3,316)
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(1,650,000)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities		11,714
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		<u>870,000</u>
Change in net assets of governmental activities (page 28)		<u>\$ 1,122,172</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2008

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 28,961	\$ 70,240	\$ -
Investments	1,509,000	275,000	600,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	507,254	69,280	46,874
Accrued Interest	22,855	8,132	9,133
Other	4,914	3,510	3,860
Estimated Unbilled Usage	226,541	31,086	17,401
TIF Receivable	179,530	-	-
Due from Other Funds	-	22,984	31,439
Due from Other Governmental Agencies	-	17,750	17,750
Inventories	458,319	17,004	-
Prepaid Assets	17,669	13,721	7,677
Total Current Assets	2,955,043	528,707	734,134
Non Current Assets			
Investment in Joint Venture	1,723,373	625,000	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389	-	-
Revenue Bond Current Debt			
Service Account - Investment	141,500	120,000	60,000
Revenue Bond Future Debt			
Service Account - Investment	274,500	255,000	150,000
Revenue Bond Contingency (Renewal and Replacement)			
Account - Investment	-	100,000	-
Bond Issue Costs	35,344	30,541	6,137
Land	27,539	63,224	249,153
Construction in Progress	1,217,624	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,966,546	4,715,728	3,908,254
Total Noncurrent Assets	9,386,815	5,909,493	4,373,544
Total Assets	12,341,858	6,438,200	5,107,678
LIABILITIES			
Current Liabilities			
Accounts Payable	443,958	33,053	9,218
Accrued Wages	17,684	8,362	7,105
Accrued Expenses	19,490	2,949	1,039
Customer Deposits	15,830	-	-
Due to Other Funds	-	-	20,494
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	18,125	39,491	6,819
Revenue Bonds - Current	185,000	160,000	100,000
Total Current Liabilities	700,087	243,855	144,675
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	32,951	7,672	4,866
Due in more than one year:			
Revenue Bonds Payable	2,560,000	2,060,000	715,000
Total Liabilities	3,293,038	2,311,527	864,541
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	4,502,053	2,589,493	3,348,544
Restricted for:			
Debt Service	398,264	435,509	203,181
Unrestricted	4,148,503	1,101,671	691,412
Total Net Assets	\$ 9,048,820	\$ 4,126,673	\$ 4,243,137

See Accompanying Notes to Financial Statements

Business Type Activities

<u>Gas</u>		<u>Total</u>
<u>Utility</u>		
\$ 49,161	\$ 148,362	
200,000	2,584,000	
262,617	886,025	
6,315	46,435	
-	12,284	
91,297	366,325	
-	179,530	
65,994	120,417	
-	35,500	
33,734	509,057	
6,603	45,670	
<u>715,721</u>	<u>4,933,605</u>	
-	2,348,373	
-	389	
25,000	346,500	
160,000	839,500	
-	100,000	
17,628	89,650	
-	339,916	
-	1,217,624	
<u>1,529,581</u>	<u>16,120,109</u>	
<u>1,732,209</u>	<u>21,402,061</u>	
<u>2,447,930</u>	<u>26,335,666</u>	
240,736	726,965	
5,278	38,429	
3,744	27,222	
9,710	25,540	
-	20,494	
9,272	73,707	
90,000	535,000	
<u>358,740</u>	<u>1,447,357</u>	
4,438	49,927	
<u>1,240,000</u>	<u>6,575,000</u>	
<u>1,603,178</u>	<u>8,072,284</u>	
217,209	10,657,299	
175,728	1,212,682	
451,815	6,393,401	
<u>\$ 844,752</u>	<u>\$ 18,263,382</u>	

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Proprietary Funds
 For the Year Ended June 30, 2008

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 6,010,908	\$ 805,151
Total Operating Revenue	<u>6,010,908</u>	<u>805,151</u>
Operating Expenses:		
Production	3,993,776	168,362
Transmission	259,108	701
Distribution / Collection	409,409	131,276
Administrative and General	262,289	135,804
Depreciation	349,458	219,878
Total Operating Expenses	<u>5,274,040</u>	<u>656,021</u>
Operating Income	736,868	149,130
Non-Operating Income (Expense):		
Interest Income	88,613	31,641
Other Non-operating Revenues	(1,164)	21,404
Interest Expense	(113,070)	(98,444)
Other Non-operating Expenses	(109,646)	
Total Non-Operating Income (Expenses)	<u>(135,267)</u>	<u>(45,399)</u>
Income before Transfers	601,601	103,731
Transfers Out	<u>(213,448)</u>	<u>(15,000)</u>
Change in Net Assets	388,153	88,731
Net Assets - Beginning	8,660,667	4,037,942
Net Assets - Ending	<u>\$ 9,048,820</u>	<u>\$ 4,126,673</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 535,191	\$ 4,559,301	\$ 11,910,551
535,191	4,559,301	11,910,551
75,672		4,237,810
	4,009,267	4,269,076
84,915	115,733	741,333
112,259	106,917	617,269
171,285	66,257	806,878
444,131	4,298,174	10,672,366
91,060	261,127	1,238,185
31,650	20,649	172,553
12,696	1,284	34,220
(46,120)	(62,632)	(320,266)
		(109,646)
(1,774)	(40,699)	(223,139)
89,286	220,428	1,015,046
(15,000)		(243,448)
74,286	220,428	771,598
4,168,851	624,324	17,491,784
\$ 4,243,137	\$ 844,752	\$ 18,263,382

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 6,049,982	\$ 874,326
Cash Paid to Suppliers for Goods and Services	(4,643,832)	(211,565)
Cash Paid to Employees for Services	(462,694)	(223,180)
Other Nonoperating Income		21,404
Other Nonoperating Expenses	(110,810)	
Net Cash Provided by Operating Activities	<u>832,646</u>	<u>460,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
(Increase) Decrease in Investment in Joint Venture	27,780	
Acquisition and Construction of Capital Assets	(535,641)	(141,495)
Notes Receivable	42,436	
Principal Paid on Notes and Bonds	(120,000)	(155,000)
Interest Paid on Notes and Bonds	(108,471)	(96,831)
Net Cash (Used) for Capital and Related Financing Activities	<u>(693,896)</u>	<u>(393,326)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers From (To) Other Funds	(213,448)	(15,000)
Advances From (To) Other Funds		14,306
Due From (To) Other Funds	35,000	17,016
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(178,448)</u>	<u>16,322</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(3,000,000)	(1,375,000)
Proceeds from Sale of Investment Securities	2,965,000	1,325,000
Interest and Dividends on Investments	84,051	33,257
Net Cash Provided (Used) for Investing Activities	49,051	(16,743)
Net Increase (Decrease) in Cash and Cash Equivalents	9,353	67,238
Cash and Cash Equivalents at Beginning of Year	19,997	3,002
Cash and Cash Equivalents at End of Year	<u>\$ 29,350</u>	<u>\$ 70,240</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 557,369	\$ 4,455,082	\$ 11,936,759
(171,341)	(4,064,603)	(9,091,341)
(161,406)	(141,302)	(988,582)
12,696	1,284	35,384
<u>237,318</u>	<u>250,461</u>	<u>(110,810)</u>
		<u>1,781,410</u>
		27,780
(91,536)	(25,977)	(794,649)
		42,436
(95,000)	(85,000)	(455,000)
(45,238)	(60,545)	(311,085)
<u>(231,774)</u>	<u>(171,522)</u>	<u>(1,490,518)</u>
		(243,448)
(15,000)		57,206
42,900		287,077
182,370	52,691	<u>100,835</u>
<u>210,270</u>	<u>52,691</u>	
		(5,660,000)
(715,000)	(570,000)	5,225,000
465,000	470,000	166,814
32,173	17,333	
<u>(217,827)</u>	<u>(82,667)</u>	<u>(268,186)</u>
		123,541
(2,013)	48,963	
2,013	198	25,210
<u>\$ -</u>	<u>\$ 49,161</u>	<u>\$ 148,751</u>

continued

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 Proprietary Funds
 For the Year Ended June 30, 2008

	Business Type Activities	
	Electric. Utility	Water Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 736,868	\$ 149,130
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	349,458	219,878
Other Non-Operating Income		21,404
Other Non-Operating Expenses	(110,810)	
(Increase) Decrease in Assets:		
Accounts Receivable	39,412	34,435
Other	(1,308)	(1,910)
Inventories	(50,989)	(16,301)
Prepaid Expenses	5,537	3,713
Due From Other Governments		36,650
Increase (Decrease) in Liabilities		
Accounts Payable	(140,034)	22,908
Accrued Wages and Compensated Absences	650	(3,191)
Accrued Expenses	2,892	(5,731)
Customer Deposits	970	
Total Adjustments	95,778	311,855
Net Cash Provided by Operating Activities	832,646	460,985
Cash and Cash Equivalents	28,961	70,240
Revenue Bond Current Debt Service	389	
Total Cash and Cash Equivalents	\$ 29,350	\$ 70,240

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 91,060	\$ 261,127	\$ 1,238,185
171,285	66,257	806,878
12,696	1,284	35,384
		(110,810)
5,489	(108,227)	(28,891)
(2,211)	4,008	(1,421)
	(5,069)	(72,359)
1,642	2,146	13,038
18,900		55,550
(60,766)	29,045	(148,847)
(454)	(3,078)	(6,073)
(323)	1,893	(1,269)
	1,075	2,045
146,258	(10,666)	543,225
237,318	250,461	1,781,410
-	49,161	148,362
		389
\$ -	\$ 49,161	\$ 148,751

CITY OF ORANGE CITY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
June 30, 2008

ASSETS

Cash and Cash Equivalents	\$ 21,750
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Total Assets	21,750
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LIABILITIES

Accounts Payable	21,750
------------------	--------

Total Liabilities	21,750
-------------------	--------

NET ASSETS

Unrestricted	-
--------------	---

Total Net Assets	\$ -
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See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- 4) Capital Project Funds –

Orange City Daycare - The Orange City Daycare Fund is used to account for the construction of the new Daycare Center.

Highway 10 Widening – The Highway 10 widening fund is used to account for the construction of a Highway 10 widening project.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency funds include the payroll clearing fund and the puddlejumper trail special assessment fund to account for repayment of special assessment bonds with no governmental commitment.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the public works, culture and recreation, capital projects and business type functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>City</u>	<u>Type</u>	<u>Method</u>
	Nonnegotiable Certificates of Deposit	Cost
	Iowa Public Agency Investment Trust	Fair Value determined by current share price
<u>Component Unit</u>		
	Interest-earning investment contracts	
	Nonnegotiable certificates of deposit	Cost
	Open-end mutual funds	
	(governmental external investment pool registered As an investment company)	Fair Value determined by current share price
	Publicly traded mutual funds	Fair Value based on quoted market prices
	Debt Securities	
	Negotiable certificates of deposit and U.S. Government Agency Securities	
	Maturity of one year or less when purchased	Amortized cost
	Maturity to more than one year when purchased	Fair Value based on quoted Market prices

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006-assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007. Any county collections on the 2007-2008 tax levy remitted to the City within 60 days subsequent to June 30, 2008, are recorded as property tax revenue.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2008, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component unit is valued at cost using FIFO.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

L. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Q. Landfill Closure Costs

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2008, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30 the primary governments investments were reported at amortized cost as follows:

	<u>Maturities</u>	
Negotiable Certificates of Deposit	7/2008-12/2008	\$ 5,627,635
Iowa Public Agency Investment Trust	Daily	<u>60,000</u>
Totals		<u>\$ 5,687,635</u>

Component Unit:

The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2008, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u>Maturities</u>	
Edward D. Jones & Co., money market funds	Daily	\$ 4,789
Negotiable certificates of deposit	09/29/08-11/28/11	365,956
U.S. Government agency securities	11/15/28-11/01/31	15,685
Mutual Funds	Daily	971,851
Iowa Public Agency Investment Trust	Daily	<u>3,926,083</u>
Totals		<u>\$ 5,284,364</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2008.

Note 3 - PLEDGES RECEIVABLE

At June 30, 2008, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus. An allowance has been established to offset future uncollectible pledges and has been estimated by management to be \$65,000 as of June 30, 2008.

A summary of the activity in pledges receivable for the year ended June 30, 2008 is as follows:

Beginning pledges receivable	\$ 818,565
Pledges made during the year	13,070
Pledge payments received	(689,343)
Decrease in discount of future payments receivable	71,000
Decrease in allowance for uncollectible pledges receivable	185,000
Total	<u>\$ 398,292</u>

Pledges receivable at June 30, 2008, are expected to be received as follows:

Year Ending June 30 2009	\$ 463,292
Less allowance and discounts on pledges receivable	(65,000)
Total	<u>\$ 398,292</u>

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2008, amounts due from other governments were as follows:

Due from CDBG for Day Care Grant	\$ 333,050
Due from the Iowa Department of Transportation for road use tax allocations	38,336
Due from the State of Iowa for local option sales taxes	88,778
Due from Landsmeer Ridge for a construction advance	35,500
Due from the Sioux County Clerk of Court for local fines	921
Total Due from Other Governments	<u>\$ 496,585</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2008, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Nonmajor Governmental Fund	Daycare Center Fund	\$ 187,647
Sewer Fund	Nonmajor Governmental Fund	31,439
Water Fund	Nonmajor Governmental Fund	22,984
Gas Fund	Sewer Fund	20,494
Gas Fund	Nonmajor Governmental Fund	45,500
Nonmajor Governmental Fund	Nonmajor Governmental Fund	106,525
		<u>\$ 414,589</u>

Interfund receivables and payables are used to record negative pooled cash and to record money advanced to internally finance various projects.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 809,448	\$ -	\$ 50,010	\$ 759,438
Construction in Progress	2,653,579	1,768,368	446,248	3,975,699
Total capital assets not being depreciated	<u>3,463,027</u>	<u>1,768,368</u>	<u>496,258</u>	<u>4,735,137</u>
Capital assets being depreciated:				
Buildings	4,415,604	311,263	41,185	4,685,682
Improvements	2,880,189	112,880	102,369	2,890,700
Equipment	1,729,824	477,138	17,000	2,189,962
Infrastructure	28,459,932	-	-	28,459,932
Total capital assets being depreciated	<u>\$37,485,549</u>	<u>\$ 901,281</u>	<u>\$ 160,554</u>	<u>\$38,226,276</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS – (Continued)

Primary Government	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Less: Accumulated Depreciation for:				
Buildings	\$ 2,401,958	\$ 158,193	\$ 30,350	\$ 2,529,801
Improvements	1,003,306	81,288	71,851	1,012,743
Equipment	1,133,707	152,397	17,000	1,269,104
Infrastructure	20,364,515	887,268	-	21,251,783
Total Accumulated Depreciation	24,903,486	1,279,146	119,201	26,063,431
Total capital assets being depreciated, net	12,582,063	(377,865)	41,353	12,162,845
Governmental activities capital assets, net	\$ 16,045,090	\$ 1,390,503	\$ 537,611	\$ 16,897,982

Construction in progress at June 30, 2008, for the governmental activities consisted of costs associated with several street projects, the new industrial park, airport improvements and the new daycare center.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 339,916	\$ -	\$ -	\$ 339,916
Construction in Progress	1,311,228	207,103	300,707	1,217,624
Total capital assets not being depreciated	1,651,144	207,103	300,707	1,557,540
Capital assets being depreciated:				
Buildings	3,307,658	-	-	3,307,658
Improvements	80,560	-	-	80,560
Equipment	2,415,227	94,174	-	2,509,401
Utility Plant	23,661,098	794,079	-	24,455,177
Total capital assets being depreciated	29,464,543	888,253	-	30,352,796
Less: Accumulated Depreciation	13,425,809	806,878	-	14,232,687
Total capital assets being depreciated, net	16,038,734	81,375	-	16,120,109
Business-type activities capital assets, net	\$ 17,689,878	\$ 288,478	\$ 300,707	\$ 17,677,649

Construction in progress at June 30, 2008 for Business-Type Activities consisted of costs associated with utility plant expansions in the Electric Fund.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 74,449
Public Works	1,019,046
Culture and Recreation	172,354
General Government	13,297

Total depreciation expense – governmental activities	<u>\$ 1,279,146</u>
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Business-Type Activities:	
Electric	\$ 349,458
Water	219,878
Sewer	171,285
Gas	66,257

Total depreciation expense – business-type activities	<u>\$ 806,878</u>
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A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 1,139,373	\$ -	\$ -	\$ 1,139,373
Construction in Progress	50,784	85,991	123,636	13,139
Total capital assets not being depreciated	<u>1,190,157</u>	<u>85,991</u>	<u>123,636</u>	<u>1,152,512</u>
Capital assets being depreciated:				
Land Improvements	2,325,941	112,189	121,276	2,316,854
Buildings	17,611,219	689,329	678,289	17,622,259
Fixed Equipment	23,278,999	1,387,601	1,407,733	23,258,867
Major Movable Equipment	11,188,340	317,461	-	11,505,801
Total capital assets being depreciated	<u>54,404,499</u>	<u>2,506,580</u>	<u>2,207,298</u>	<u>54,703,781</u>
Less: Accumulated Depreciation	15,836,454	3,089,260	162,013	18,763,701
Total capital assets being depreciated, net	<u>38,568,045</u>	<u>(582,680)</u>	<u>2,045,285</u>	<u>35,940,080</u>
Governmental Activities Capital Assets-net	<u>\$ 39,758,202</u>	<u>\$ (496,689)</u>	<u>\$ 2,168,921</u>	<u>\$ 37,092,592</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - CAPITAL ASSETS – (Continued)

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 759,438	\$ 339,916	\$ 1,139,373
Construction in Progress	3,975,699	1,217,624	13,139
Capital Assets (net of accumulated depreciation)	12,162,845	16,120,109	35,940,080
Bond Issuance Costs	130,436	89,650	75,551
Less: General Obligation Bonds Payable	(5,465,000)	-	-
Revenue Bonds	-	(7,110,000)	(26,015,661)
Investment in Capital Assets, Net of Related Debt	<u>\$ 11,563,418</u>	<u>\$ 10,657,299</u>	<u>\$ 11,152,482</u>

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City issued one new bond during 2008:

On November 5, 2007, the City issued \$1,650,000 General Obligation Capital Loan Notes Series 2007C with interest rates ranging from 3.45% to 4.5% and an average life of 19 years. The bonds were sold to Ruan Securities for \$1,623,500 and the proceeds were used to finance the Daycare Project, purchase of a fire truck, and the Highway 10 widening project.

General obligation bonds outstanding as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	1.45 – 6.10%	\$ 8,610,000

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT – (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		Total
	Principal	Interest	
2009	\$ 825,000	\$ 382,596	\$ 1,207,596
2010	835,000	319,373	1,154,373
2011	695,000	286,967	981,967
2012	680,000	260,786	940,786
2013	650,000	234,906	884,906
2014-2018	3,135,000	784,726	3,919,726
2019-2023	1,345,000	299,119	1,644,119
2024-2027	445,000	33,826	478,826
Total	\$ 8,610,000	\$ 2,602,299	\$ 11,212,299

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

Revenue bonds outstanding at June 30, 2008 are as follows:

Primary Government

Purpose	Interest Rates	Amounts
Electric Revenue Bonds	1.50 – 4.50%	\$ 2,745,000
Water Revenue Bonds	1.60 – 5.10%	2,220,000
Sewer Revenue Bonds	4.45 – 5.30%	815,000
Gas Revenue Bonds	1.75 – 4.80%	1,330,000
		<u>\$ 7,110,000</u>

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	3.50 – 5.60%	\$ 26,055,000
Hospital/Component Unit	5.5%	288,000
		<u>\$ 26,343,000</u>

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$255,339.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT - (Continued)

Revenue bond debt service requirements to maturity are as follows:

Primary Government

Year Ending June 30,	Business-Type Activities					Total
	Electric Principal	Water Principal	Sewer Principal	Gas Principal	Interest	
2009	\$ 185,000	\$ 160,000	\$ 100,000	\$ 90,000	\$ 294,839	\$ 829,839
2010	195,000	105,000	105,000	90,000	277,205	772,205
2011	200,000	105,000	110,000	95,000	258,981	768,981
2012	200,000	110,000	115,000	100,000	239,385	764,385
2013	210,000	115,000	120,000	105,000	218,160	768,160
2014-2018	1,195,000	645,000	265,000	575,000	731,080	3,411,080
2019-2023	560,000	795,000	-	275,000	205,951	1,835,951
2024	-	185,000	-	-	4,718	189,718
Total	\$ 2,745,000	\$ 2,220,000	\$ 815,000	\$ 1,330,000	\$ 2,230,319	\$ 9,340,319

Component Unit

Year Ending June 30,	Rural Economic Development Loan		Revenue Notes Payable		
	Principal	Interest	Principal	Interest	Total
2009	\$ 72,000	\$ -	\$ -	\$ 1,343,823	\$ 1,415,823
2010	72,000	-	595,000	1,331,660	1,998,660
2011	72,000	-	620,000	1,306,689	1,998,689
2012	72,000	-	650,000	1,280,328	2,002,328
2013	-	-	675,000	1,252,443	1,927,443
2014-2018	-	-	3,860,000	5,780,968	9,640,968
2019-2023	-	-	4,875,000	4,760,918	9,635,918
2024-2028	-	-	6,365,000	3,269,338	9,634,338
2029-2033	-	-	8,415,000	1,230,740	9,645,740
Total	288,000	-	26,055,000	21,556,907	47,899,907
Less unamortized discount	-	-	(255,339)	-	(255,339)
Total	\$ 288,000	\$ -	\$ 25,799,661	\$ 21,556,907	\$ 47,644,568

Advance and Current Refundings

In October 2002, the City issued \$1,655,000 in sewer revenue bonds with interest rates ranging from 2.50% to 3.30% to refund the 1992 sewer revenue bonds with interest rates ranging from 3.80% to 6.10%. The City refunded the debt to reduce its total debt service payments over the next three years by \$28,053 and to obtain an economic gain of \$9,000.

In November 2002, the City issued \$940,000 in General Obligation Capital Loan Notes with interest rates ranging from 2.40% to 3.50% to refund the 1993 General Obligation Capital Loan Notes with interest rates ranging from 2.80% to 5.60%. The City refunded the debt to reduce its total debt service payments over the next six years by \$46,921 and to obtain an economic gain of \$1,400.

In July 2004 the City issued \$295,000 in general obligation capital loan notes with interest rates ranging from 2.20% to 3.45% to refund the 1995 general obligation capital loan notes with interest rates ranging from 4.80% to 6.10%. The City refunded the debt to reduce its total debt service payments for the next 6 years by approximately \$14,000 and obtain an economic gain of \$3,000.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - LONG-TERM DEBT – (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 7,830,000	\$ 1,650,000	\$ 870,000	\$ 8,610,000	\$ 825,000
Compensated Absences	47,559	50,875	47,559	50,875	50,875
Governmental Activity Long-Term Liabilities	\$ 7,877,559	\$ 1,700,875	\$ 917,559	\$ 8,660,875	\$ 875,875
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 7,565,000	\$ -	\$ 455,000	\$ 7,110,000	\$ 535,000
Compensated Absences	65,464	56,767	65,464	56,767	56,767
Business-Type Activity Long-Term Liabilities	\$ 7,630,464	\$ 56,767	\$ 520,464	\$ 7,166,767	\$ 591,767
Component Unit:					
Bonds Payable:					
Revenue Bonds	\$ 23,234,224	\$ 26,055,000	\$ 22,946,224	\$ 26,343,000	\$ 72,000

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	Nonmajor Governmental	Hwy 10 Widening	Total Transfers Out
General	\$ -	\$ 7,500	\$ 20,000	\$ 27,500
Road Use Tax	375,000		100,000	475,000
Local Option Sales Tax	530,608	-	-	530,608
Water	15,000	-	-	15,000
Sewer	15,000	-	-	15,000
Electric	213,448	-	-	213,448
Total Transfers In	\$ 1,149,056	\$ 7,500	\$ 120,000	\$ 1,276,556

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90 percent of their annual covered salary and the City is required to contribute 6.05 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$105,083, \$99,679, and \$93,063, respectively, equal to the required contributions for each year.

In addition, the component unit contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$847,707, \$785,154, and \$697,339, respectively, equal to the required contributions for each year.

Note 10 - MAJOR CUSTOMER

During the year ended June 30, 2008, electric, water, sewer, and gas charges for services provided by the City to Advanced Brands, Inc. were \$1,383,911, \$149,658, \$160,290 and \$1,382,658, respectively. This represents 23%, 18%, 30% and 35%, respectively, of total charges for services.

Note 11 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Inventories	Debt Service	Endowments	Total
Special Revenue				
Road Use Tax	\$ 15,020	-	-	\$ 15,020
Debt Service	-	\$ 47,569	-	47,569
Permanent Fund				
Cemetery Perpetual Care	-	-	\$ 77,450	77,450
Total Reserves of Fund Balances	\$ 15,020	\$ 47,569	\$ 77,450	\$ 140,039

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 12 - DEFICIT FUND EQUITY

The City has five funds with deficit equity balances at June 30, 2008. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, and capital project debt financing.

The individual fund deficits were as follows:

Capital Project – Downtown Streetscape	\$ 641
Capital Project – Airport Improvements.....	22,607
Capital Project – Puddle Jumper 4 th Addition	17,867
Capital Project – Industrial Park Improvements	137,294
Capital Project –Daycare Project	205,577

Note 13 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2007-2008 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

Note 14 - COMMITMENTS

During the year ended June 30, 2008, the City had entered into a construction contract totaling approximately \$508,439 of which approximately \$404,997 has been expended to date. The remaining balance will be paid as work progresses.

Note 15 - INVESTMENT IN JOINT VENTURE

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 23.93 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2008

Note 15 - INVESTMENT IN JOINT VENTURE – (Continued)

Summary financial information of the joint venture for the year ended December 31, 2007 follows:

	Total
Assets	<u>\$ 7,773,917</u>
Liabilities	<u>398,691</u>
Equity	<u>7,375,226</u>
	<u>7,773,917</u>
Revenues.....	<u>1,147,053</u>
Expenses	<u>1,207,602</u>
Net (Decrease) in Equity	<u>\$ (60,549)</u>

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 50 percent share of the venture with Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2008 is as follows:

	Total
Assets	<u>\$4,657,937</u>
Liabilities	<u>2,811,790</u>
Equity	<u>1,846,147</u>
	<u>4,657,937</u>
Revenues.....	<u>2,574,303</u>
Expenses	<u>2,087,938</u>
Net Increase in Equity.....	<u>\$ 486,365</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS
For the Year Ended June 30, 2008**

	Governmental Fund Type Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 2,030,435	\$ -
Licenses and Permits	5,120	-
Intergovernmental	1,857,893	-
Charges for Services	381,090	11,910,551
Fines and Forfeits	31,304	-
Contributions from Property Owners	9,686	-
TIF Revenue	496,167	-
Local Option Sales Tax	607,761	-
Interest	93,737	172,553
Miscellaneous	499,514	34,220
Total Revenue	<u>6,012,707</u>	<u>12,117,324</u>
Expenditures:		
Public Safety	896,293	-
Public Works	937,386	-
Culture and Recreation	1,194,084	-
Community and Economic Development	337,597	-
General Government	453,942	-
Capital Projects	1,799,431	-
Debt Service	1,222,962	-
Business Type Activities	-	11,102,278
Total Expenditures	<u>6,841,695</u>	<u>11,102,278</u>
Excess (deficiency) of revenues over expenditures	(828,988)	1,015,046
Other financing sources (uses):		
Proceeds from Debt Financing	1,650,000	-
Interfund Transfers In	1,276,556	-
Interfund Transfers Out	(1,033,108)	(243,448)
Total other financing sources (uses)	<u>1,893,448</u>	<u>(243,448)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,064,460	771,598
Fund balances-beginning of year	1,057,421	17,491,784
Fund balances- end of year	<u>\$ 2,121,881</u>	<u>\$ 18,263,382</u>

Orange City Municipal Hospital	Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
		Original	Final	
\$ -	\$ 2,030,435	\$ 2,068,290	\$ 2,068,290	\$ (37,855)
-	5,120	4,025	4,025	1,095
-	1,857,893	1,435,280	1,435,280	422,613
33,707,524	45,999,165	47,172,200	48,672,200	(2,673,035)
-	31,304	-	-	31,304
-	9,686	10,000	10,000	(314)
-	496,167	160,000	440,000	56,167
-	607,761	-	-	607,761
189,314	455,604	189,000	244,000	211,604
1,439,732	1,973,466	92,000	227,000	1,746,466
<u>35,336,570</u>	<u>53,466,601</u>	<u>51,130,795</u>	<u>53,100,795</u>	<u>365,806</u>
-	896,293	812,199	913,199	16,906
-	937,386	804,405	853,405	(83,981)
-	1,194,084	1,094,201	1,164,201	(29,883)
-	337,597	68,363	348,363	10,766
-	453,942	463,519	465,519	11,577
-	1,799,431	1,722,921	1,722,921	(76,510)
-	1,222,962	1,200,745	1,200,745	(22,217)
35,319,047	46,421,325	43,775,750	45,275,750	(1,145,575)
<u>35,319,047</u>	<u>53,263,020</u>	<u>49,942,103</u>	<u>51,944,103</u>	<u>(1,318,917)</u>
17,523	203,581	1,188,692	1,156,692	(953,111)
-	1,650,000	650,000	650,000	1,000,000
-	1,276,556	1,192,000	1,192,000	84,556
-	(1,276,556)	(1,192,000)	(1,192,000)	(84,556)
<u>-</u>	<u>1,650,000</u>	<u>650,000</u>	<u>650,000</u>	<u>1,000,000</u>
17,523	1,853,581	1,838,692	1,806,692	46,889
24,819,257	43,368,462	43,368,462	43,368,462	-
<u>\$ 24,836,780</u>	<u>\$ 45,222,043</u>	<u>\$ 45,207,154</u>	<u>\$ 45,175,154</u>	<u>\$ 46,889</u>

CITY OF ORANGE CITY, IOWA
Notes to Required Supplementary Information
June 30, 2008

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2008, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/19/08 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 812,199	\$ 101,000	\$ 913,199
Public Works	804,405	49,000	853,405
Culture & Recreation	1,094,201	70,000	1,164,201
Community & Economic Development	68,363	280,000	348,363
General Government	463,519	2,000	465,519
Debt Service	1,200,745	-	1,200,745
Capital Projects	1,722,921	-	1,722,921
Business Type/Enterprise	43,775,750	1,500,000	45,275,750
Total	<u>\$ 49,942,103</u>	<u>\$ 2,002,000</u>	<u>\$ 51,944,103</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 For the Year Ended June 30, 2008

	Special Revenue		Capital Projects				
	TIF	Park Improvements	Puddlejumper 4th Addition	Downtown Streetscape	Airport Improvements		
Assets							
Cash and Pooled Investments	\$ 33,619	\$ -	\$ -	\$ -	\$ -	\$ -	
Investments	-	-	-	-	-	-	
Receivables (Net, where applicable, of allowance for uncollectibles)							
Taxes	94	-	-	-	-	-	
Subsequent Year Taxes	224,000	-	-	-	-	-	
Due from Other Funds	294,172	-	-	-	-	-	
Total Assets	551,885	-	-	-	-	-	
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	-	12,409	7,249	-	-	6,726	
Due to Other Funds	54,423	124,885	10,618	641	-	15,881	
Deferred Revenue - Subsequent Year Taxes	224,000	-	-	-	-	-	
Total Liabilities	278,423	137,294	17,867	641	-	22,607	
Fund Balances:							
Reserved for:							
Perpetual Care	-	-	-	-	-	-	
Unreserved	273,462	(137,294)	(17,867)	(641)	-	(22,607)	
Total Fund Balances (Deficits)	273,462	(137,294)	(17,867)	(641)	-	(22,607)	
Total Liabilities and Equity	\$ 551,885	\$ -	\$ -	\$ -	\$ -	\$ -	

Permanent Fund Cemetery Perpetual Care Fund	Total Governmental Nonmajor Funds
\$ -	\$ 33,619
77,450	77,450
-	94
-	224,000
-	294,172
77,450	629,335
-	26,384
-	206,448
-	224,000
-	456,832
77,450	77,450
-	95,053
77,450	172,503
\$ 77,450	\$ 629,335

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Governmental Nonmajor Funds
 For the Year Ended June 30, 2008

	Special Revenue	Capital Projects			
	TIF	Park Improvements	Puddlejumper 4th Addition	Downtown Streetscape	Airport Improvements
Revenue:					
TIF Revenue	\$ 222,552	\$ -	\$ -	\$ -	\$ -
Interest on Investments	7,795	-	-	-	-
Miscellaneous	24,000	55,448	6,000	-	11,465
Total Revenue	254,347	55,448	6,000	-	11,465
Expenditures:					
Capital Projects	24,270	227,596	20,976	-	26,859
Debt Service:					
Principal Retirement	115,000	-	-	-	-
Interest	40,718	-	-	-	-
Total Expenditures	179,988	227,596	20,976	-	26,859
Excess (deficiency) of revenues over expenditures	74,359	(172,148)	(14,976)	-	(15,394)
Other financing sources (uses):					
Transfers In	-	7,500	-	-	-
Total other financing sources (uses)	-	7,500	-	-	-
Net Change in Fund Balance	74,359	(164,648)	(14,976)	-	(15,394)
Fund balances (Deficits)-beginning of year	199,103	27,354	(2,891)	(641)	(7,213)
Fund balances (Deficits)- end of year	\$ 273,462	\$ (137,294)	\$ (17,867)	\$ (641)	\$ (22,607)

Permanent Fund Cemetery Perpetual Care Fund	Total Governmental Nonmajor Funds
\$ -	\$ 222,552
-	7,795
2,350	99,263
2,350	329,610
-	299,701
-	115,000
-	40,718
-	455,419
2,350	(125,809)
-	7,500
-	7,500
2,350	(118,309)
75,100	290,812
\$ 77,450	\$ 172,503

CITY OF ORANGE CITY, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Agency Funds
 JUNE 30, 2008

	Puddlejumper View Addition	Payroll Clearing	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 21,750	\$ 21,750
Total Assets	<u>-</u>	<u>21,750</u>	<u>21,750</u>
LIABILITIES			
Accounts Payable	-	21,750	21,750
Total Liabilities	<u>-</u>	<u>21,750</u>	<u>21,750</u>
NET ASSETS			
Unrestricted	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ORANGE CITY, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>PUDDLEJUMPER VIEW ADDITION</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ -	\$ 12,224	\$ 12,224	\$ -
Total Assets	-	12,224	12,224	-
<u>Liabilities</u>				
Accounts Payable	-	12,224	12,224	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 19,519	\$ 727,047	\$ 724,816	\$ 21,750
Total Assets	19,519	727,047	724,816	21,750
<u>Liabilities</u>				
Accounts Payable	19,519	727,047	724,816	21,750
Total Liabilities	\$ 19,519	\$ 727,047	\$ 724,816	\$ 21,750
<u>ALL FIDUCIARY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 19,519	\$ 739,271	\$ 737,040	\$ 21,750
Total Assets	19,519	739,271	737,040	21,750
<u>Liabilities</u>				
Accounts Payable	19,519	739,271	737,040	21,750
Total Liabilities	\$ 19,519	\$ 739,271	\$ 737,040	\$ 21,750

STATISTICAL SECTION

This part of the City of Orange City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	73
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	
Revenue Capacity	78
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	82
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Operating Information	88
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
Demographic and Economic Information	92
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Invested in capital assets, net of related debt	\$ 9,491,848	\$ 10,245,341	\$ 10,447,176	\$ 11,505,090
Restricted	95,709	104,647	103,957	109,467
Unrestricted	1,346,380	(3,044,617)	(2,496,606)	(2,131,149)
Total governmental activities net assets	\$ 10,933,937	\$ 7,305,371	\$ 8,054,527	\$ 9,483,408
Business-type activities				
Invested in capital assets, net of related debt	\$ 8,491,081	\$ 9,243,826	\$ 9,908,173	\$ 10,124,878
Restricted	-	2,828,947	1,098,131	1,183,353
Unrestricted	7,993,884	4,889,654	6,657,609	6,183,553
Total business-type activities net assets	\$ 16,484,965	\$ 16,962,427	\$ 17,663,913	\$ 17,491,784
Primary government				
Invested in capital assets, net of related debt	\$ 17,982,929	\$ 19,489,167	\$ 20,355,349	\$ 21,629,968
Restricted	95,709	2,933,594	1,202,088	1,292,820
Unrestricted	9,340,264	1,845,037	4,161,003	4,052,404
Total primary government net assets	\$ 27,418,902	\$ 24,267,798	\$ 25,718,440	\$ 26,975,192

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City of Orange City
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	1,598,367.	1,617,548	2,264,411	2,460,542	2,511,016
Local option sales tax	420,939	601,573	527,909	558,312	607,761
Unrestricted grants and contributions	25,219	-	-	-	-
Investment Earnings	19,059	36,154	41,833	102,119	93,735
General Intergovernmental Revenue	518,541	467,121	467,540	-	-
(Loss)/ Gain on Sale of Assets	-	-	-	38,640	-
Miscellaneous	156,570	46,997	228,319	106,100	926,494
Transfers	199,663	220,926	326,004	1,321,665	243,448
Total governmental activities	<u>2,938,358</u>	<u>2,990,319</u>	<u>3,856,016</u>	<u>4,587,378</u>	<u>4,382,454</u>
Business-type activities					
Investment Earnings	84,953	82,711	126,627	154,986	172,553
Miscellaneous	76,445	81,406	37,173	95,661	34,220
Transfers	(199,663)	(220,926)	(326,004)	(1,321,665)	(243,448)
Total business-type activities	<u>(38,265)</u>	<u>(56,809)</u>	<u>(162,204)</u>	<u>(1,071,018)</u>	<u>(36,675)</u>
Total primary government	<u>\$ 2,900,093</u>	<u>\$ 2,933,510</u>	<u>\$ 3,693,812</u>	<u>\$ 3,516,360</u>	<u>\$ 4,345,779</u>
 Change in Net Assets					
Governmental activities	\$ (723,188)	\$ (3,532,394)	\$ 681,156	\$ 1,428,881	\$ 1,201,312
Business-type activities	1,095,997	449,290	701,486	(397,129)	771,598
Total primary government	<u>\$ 372,809</u>	<u>\$ (3,083,104)</u>	<u>\$ 1,382,642</u>	<u>\$ 1,031,752</u>	<u>\$ 1,972,910</u>

Note: GASB 34 implemented in 2004 and therefore only 5 years presented.

City of Orange City
 Governmental Activities Tax Revenues By Source
 Last Five Fiscal Years
 (accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motel/Hotel Tax</u>	<u>Total</u>
2004	\$ 1,598,367	\$ 420,939	\$ -	\$ 2,019,306
2005	1,617,548	601,573	-	2,219,121
2006	2,264,411	490,917	36,992 ¹	2,792,320
2007	2,460,542	523,641	34,671	3,018,854
2008	2,511,016	574,054	33,707	3,118,777

¹ First year of tax

Note: GASB 34 implemented in 2004 and therefore only 5 years presented.

City of Orange City
Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund					
Reserved	-	-	-	-	-
Unreserved	\$ 872,926	\$ 1,099,175	\$ 1,098,999	\$ 1,308,413	\$ 1,147,069
Total General Fund	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>	<u>\$ 1,308,413</u>	<u>\$ 1,147,069</u>
 All other governmental funds					
Reserved	\$ 110,745	\$ 119,480	\$ 121,990	\$ 125,079	\$ 140,039
Unreserved, reported in:					
Special revenue funds	762,553	703,759	864,920	1,045,140	1,177,108
Capital project funds	<u>(592,550)</u>	<u>(1,520,611)</u>	<u>(1,252,923)</u>	<u>16,610</u>	<u>(330,111)</u>
Total all other governmental funds	<u>\$ 280,748</u>	<u>\$ (697,372)</u>	<u>\$ (266,013)</u>	<u>\$ 1,186,829</u>	<u>\$ 987,036</u>

Note: GASB 34 implemented in 2004 and therefore only 5 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Taxes	\$ 1,458,609	\$ 1,609,486	\$ 1,860,705	\$ 1,970,930	\$ 2,030,435
Special Assessments	109,077	64,194	-	-	-
Licenses and permits	4,295	4,570	3,834	3,653	5,120
Intergovernmental	714,322	696,446	955,020	776,619	1,857,893
Charges for services	266,871	322,652	296,673	396,031	381,090
Fines and Forfeits	15,218	28,854	25,988	24,537	31,304
Contributions from Property Owners	25,219	34,793	21,084	12,965	9,686
TIF Revenue	139,758	163,965	437,610	487,942	496,167
Local Options Sales Tax	420,938	437,608	527,909	558,312	607,761
Investment Earnings	19,059	36,155	41,834	102,119	93,737
Miscellaneous	162,602	78,438	416,602	236,076	499,514
Total revenues	<u>\$ 3,335,968</u>	<u>\$ 3,477,161</u>	<u>\$ 4,587,259</u>	<u>\$ 4,569,184</u>	<u>\$ 6,012,707</u>
Expenditures					
Public safety	613,755	536,420	609,050	618,705	896,293
Public works	632,850	616,102	777,744	776,065	937,386
Culture and recreation	1,021,654	798,874	819,792	906,654	1,194,084
Community and economic development	88,712	57,082	63,075	349,564	337,597
General government	430,926	413,772	713,236	428,095	453,942
Capital projects	716,091	5,048,122	1,867,298	1,935,310	1,799,431
Debt service					
Principal	460,000	780,000	695,000	780,000	870,000
Interest	193,759	266,210	393,084	358,240	352,962
Total expenditures	<u>4,157,747</u>	<u>8,516,582</u>	<u>5,938,279</u>	<u>6,152,633</u>	<u>6,841,695</u>
Excess of revenues over (under) expenditures	<u>(821,779)</u>	<u>(5,039,421)</u>	<u>(1,351,020)</u>	<u>(1,583,449)</u>	<u>(828,988)</u>
Other financing sources (uses)					
Issuance of Debt	705,000	4,095,000	1,385,000	450,000	1,650,000
Proceeds From Sale of Red Estate				38,640	12,224
Transfers In	1,130,113	1,133,175	1,275,555	2,267,414	1,276,556
Transfers Out	(930,450)	(912,249)	(949,551)	(945,749)	(1,033,108)
Total other financing sources (uses)	<u>904,663</u>	<u>4,315,926</u>	<u>1,711,004</u>	<u>1,810,305</u>	<u>1,905,672</u>
Net change in fund balances	<u>\$ 82,884</u>	<u>\$ (723,495)</u>	<u>\$ 359,984</u>	<u>\$ 226,856</u>	<u>\$ 1,076,684</u>
Debt Service as a percentage of noncapital expenditures	15.7%	12.28%	18.02%	18.39%	17.56%

Note: GASB 34 implemented in 2004 therefore only 5 years presented.

City of Orange City
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Utilities		Total		Assessed Value as a Percentage of Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1998	100,186,974	148,270,270	1,124,292	1,124,292	101,311,266	149,394,562	67.81%
1999	101,038,194	158,694,012	1,063,653	1,063,653	102,101,847	159,757,665	63.91%
2000	104,685,474	160,812,584	998,026	998,026	105,683,500	161,810,610	65.31%
2001	106,177,613	167,587,570	386,645	386,645	106,564,258	167,974,215	63.44%
2002	111,996,353	172,401,657	345,740	345,740	112,342,093	172,747,397	65.03%
2003	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2004	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2005	133,223,718	213,808,393	446,521	446,521	133,670,239	214,254,914	62.39%
2006	135,062,294	218,543,204	2,881,675	2,881,675	137,943,969	221,424,879	62.30%
2007	144,958,608	239,180,184	4,698,999	4,698,999	149,657,607	243,879,183	61.37%
2008	151,419,393	253,255,181	4,771,270	4,771,270	156,190,663	258,026,451	60.53%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

Last Ten Fiscal Years

Source: The tax rates are obtained from the Sioux County Courthouse - Auditor's Office.

City of Orange City
Principal Property Taxpayers
June 30, 2008

Taxpayer	2008			2007			2006		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Staples Inc (Welsh)	11,425,720	1	7.9%	7,859,280	2	6.9%	8,882,303	1	7.8%
Vogel Enterprises Inc.	7,612,449	2	5.2%	8,232,306	1	7.2%	7,859,280	2	6.9%
Advanced Brands LLC	5,601,170	3	3.9%	5,658,120	3	4.9%	3,541,440	3	3.1%
Pizza Ranch Headquarters	2,348,640	4	1.6%	-		0.0%	-		0.0%
Knull Ltd.	1,738,700	5	1.2%	1,709,380	4	1.5%	1,532,079	5	1.3%
Midwest Farmers Coop	1,531,940	6	1.1%	1,601,180	8	1.4%	1,637,774	4	1.4%
Iowa State Bank Orange City	1,508,290	7	1.0%	1,620,440	6	1.4%	1,434,535	6	1.3%
North West Rural Electric Coop	1,334,756	8	0.9%	1,605,480	7	1.4%	1,421,292	7	1.2%
Tec Industries Inc.	1,318,510	9	0.9%	-		0.0%	-		-
Revival Animal Health	1,158,680	10	0.8%	1,300,590	10	1.1%	1,151,380	8	1.0%
Northwestern Bank Orange City	-		-	1,648,610	5	1.4%	897,365	9	0.8%
Pioneer Memorial Home Inc.	-		-	1,374,130	9	1.2%	-		-
South Town Real Estate	-		-	-		0.0%	871,180	10	0.8%
Totals	\$ 35,578,855		24.5%	\$ 32,609,516		28.5%	\$ 29,228,628		25.5%

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

City of Orange City
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended <u>6/30</u>	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	1,110,343	1,120,959	100.96%	-	1,120,959	100.96%
2000	1,226,920	1,245,319	101.50%	-	1,245,319	101.50%
2001	1,255,218	1,289,639	102.74%	-	1,289,639	102.74%
2002	1,360,160	1,428,917	105.06%	-	1,428,917	105.06%
2003	1,438,760	1,467,196	101.98%	-	1,467,196	101.98%
2004	1,578,960	1,531,410	96.99%	-	1,531,410	96.99%
2005	1,574,394	1,609,486	102.23%	-	1,609,486	102.23%
2006	1,858,206	1,860,705	100.13%	-	1,860,705	100.13%
2007	1,964,663	1,970,930	100.32%	-	1,970,930	100.32%
2008	2,024,653	2,030,435	100.29%	-	2,030,435	100.29%

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Electric Bonds	Water Bonds	Sewer Bonds	Gas Bonds				
1999	2,925,000	1,120,000	1,180,000	1,030,000	-	6,255,000			1,266
2000	2,915,000	860,000	1,085,000	905,000	-	5,765,000			1,167
2001	2,905,000	585,000	985,000	775,000	-	5,250,000			939
2002	3,105,000	300,000	880,000	1,640,000	-	5,925,000			1,060
2003	3,910,000	-	775,000	1,500,000	-	6,185,000			1,107
2004	4,155,000	2,120,000	2,810,000	1,340,000	1,660,000	12,085,000			2,162
2005	7,470,000	2,005,000	2,670,000	1,170,000	1,580,000	14,895,000		494.14%	2,665
2006	8,160,000	1,885,000	2,525,000	1,000,000	1,500,000	15,070,000		499.95%	2,696
2007	7,830,000	2,865,000	2,375,000	910,000	1,415,000	15,395,000		510.73%	2,755
2008	8,610,000	2,745,000	2,220,000	815,000	1,330,000	15,720,000		521.51%	2,813

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics on page 94 for personal income and population data.

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

City of Orange City
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1999	2,925,000	39,582	2,885,418	1.81	584.09
2000	2,915,000	43,236	2,871,764	1.77	581.33
2001	2,905,000	52,136	2,852,864	1.70	510.44
2002	3,105,000	69,792	3,035,208	1.76	543.07
2003	3,910,000	86,413	3,823,587	2.04	684.13
2004	4,155,000	51,637	4,103,363	2.07	734.19
2005	7,470,000	34,407	7,435,593	3.47	1,330.40
2006	8,160,000	21,201	8,138,799	3.72	1,456.22
2007	7,830,000	24,606	7,805,394	3.26	1,396.56
2008	8,610,000	47,569	8,562,431	3.31	1,458.18

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

City of Orange City
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> ¹	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School District	\$ -	100.00%	\$ -
Debt repaid with property taxes; Sioux County	4,970,000	100.00%	4,970,000
Subtotal, overlapping debt			<u>\$ 4,970,000</u>
City of Orange City direct debt			<u>8,610,000</u>
Total direct and overlapping debt			<u><u>\$ 13,580,000</u></u>

Sources: Debt outstanding data provided by the school and Sioux County Auditor Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Orange City
Legal Debt Margin Information
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 7,987,843	\$ 8,106,089	\$ 8,414,337	\$ 8,654,875	\$ 9,425,888	\$ 9,882,991	\$ 10,712,746	\$ 11,071,244	\$ 12,193,959	\$ 12,662,759
Total net debt applicable to limit	2,885,418	2,861,764	2,852,864	3,035,208	3,823,587	4,127,291	7,435,593	8,128,733	7,805,394	8,562,431
Legal debt margin	\$ 5,102,425	\$ 5,244,325	\$ 5,561,473	\$ 5,619,667	\$ 5,602,301	\$ 5,755,700	\$ 3,277,153	\$ 2,942,511	\$ 4,388,565	\$ 4,100,328

Total net debt applicable to the limit
as a percentage of debt limit

46.28% 69.41% 73.42% 73.42% 67.62%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 248,483,911
Add back: exempt real property	\$ 4,771,270
Total assessed value	\$ 253,255,181
Debt limit (5% of total assessed value)	12,662,759
Debt applicable to limit:	8,610,000
General obligation bonds	(47,569)
Less: Amount set aside for repayment of general obligation debt	8,562,431
Total net debt applicable to limit	\$ 4,100,328
Legal debt margin	

Note: Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Electric Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1999	3,338,937	2,443,695	895,242	255,000	55,263	2.89
2000	3,635,445	2,850,215	785,230	260,000	42,388	2.60
2001	3,876,350	3,032,551	843,799	275,000	31,149	2.76
2002	4,015,734	3,217,049	798,685	285,000	21,933	2.60
2003	4,331,927	3,387,989	943,938	300,000	6,360	3.08
2004	4,610,432	3,548,978	1,061,454	-	54,302	19.55
2005	4,664,357	3,673,367	990,990	115,000	71,539	5.31
2006	5,198,997	4,119,213	1,079,784	120,000	69,598	5.70
2007	5,526,151	4,458,342	1,067,809	120,000	67,228	5.70
2008	6,099,521	4,924,582	1,174,939	120,000	108,471	5.14

<u>Fiscal Year</u>	<u>Water Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1999	588,751	388,558	200,193	90,000	58,351	1.35
2000	704,782	317,028	387,754	95,000	53,755	2.61
2001	644,716	391,896	252,820	100,000	49,271	1.69
2002	669,022	379,238	289,784	105,000	44,129	1.94
2003	698,186	367,933	330,253	105,000	39,129	2.29
2004	739,503	344,796	394,707	115,000	18,655	2.95
2005	791,769	365,148	426,621	140,000	106,136	1.73
2006	899,840	403,089	496,751	145,000	103,638	2.00
2007	879,053	412,036	467,017	150,000	100,573	1.86
2008	836,792	436,143	400,649	155,000	96,831	1.59

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1999	466,349	186,786	279,563	120,000	66,069	1.50
2000	514,048	267,632	246,416	125,000	58,390	1.34
2001	534,232	193,088	341,144	130,000	51,890	1.88
2002	639,941	201,980	437,961	135,000	87,819	1.97
2003	644,207	238,419	405,788	155,000	81,103	1.72
2004	768,692	224,702	543,990	160,000	64,438	2.42
2005	564,290	247,456	316,834	170,000	60,038	1.38
2006	593,671	253,267	340,404	170,000	54,853	1.51
2007	578,003	268,559	309,444	90,000	49,243	2.22
2008	566,841	272,846	293,995	95,000	45,238	2.10

<u>Fiscal Year</u>	<u>Gas Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	2,432,713	2,180,805	251,908	-	46,133	5.46
2004	3,079,659	2,746,305	333,354	115,000	84,730	1.67
2005	3,337,962	3,124,186	213,776	80,000	71,455	1.41
2006	4,637,573	4,368,962	268,611	80,000	61,898	1.89
2007	4,241,273	3,974,228	267,045	85,000	60,138	1.84
2008	4,579,950	4,231,917	348,033	85,000	60,545	2.39

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant

City of Orange City
Principal Employers
June 30, 2008

<u>Employer</u>	2008			2007			2006		
	<u>Percentage of Total City Employment</u>			<u>Percentage of Total City Employment</u>			<u>Percentage of Total City Employment</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
Advance Brands	475	1	8.09%	600	1	10.74%	600	1	10.74%
Staples Inc.	400	3	6.81%	350	4	6.26%	350	4	6.26%
Diamond Vogel Paints	375	4	6.39%	375	3	6.71%	375	3	6.71%
EZ Liner Industrial	50	9	0.85%	50	8	0.89%	50	8	0.89%
Med-Tec Inc.	90	6	1.53%	100	6	1.79%	100	6	1.79%
Northwestern College	187	5	3.18%	187	5	3.35%	187	5	3.35%
Orange City Health System	500	2	8.51%	460	2	8.23%	460	2	8.23%
Revival Animal Health	60	7	1.02%	60	7	1.07%	60	7	1.07%
Silent Drive	40	10	0.68%	40	9	0.72%	40	9	0.72%
Tec Industries/Quatro	55	8	0.94%	30	10	0.54%	30	10	0.54%
Total	2,232		38.01%	2,252		40.29%	2,252		40.29%

Note: Source for this data was obtained from Iowa Workforce Development

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

City of Orange City
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	8	8	9	9	9	9	9	9	9	9
Public Safety										
Police Officers	6	6	7	7	7	7	7	7	7	7
Highways and streets	3	3	3	3	3	3	3	3	3	3
Culture and recreation	2	2	2	2	2	2	2	3	3	3
Library	5	5	5	5	5	5	5	5	5	5
Electric	5	5	5	5	5	5	5	5	5	5
Water	2	2	2	2	2	2	2	2	2	2
Sewer	1	1	1	1	1	1	1	1	1	1
Gas	1	2	2	2	2	2	2	2	2	2
Total	33	34	36	36	36	36	36	37	37	37

City of Orange City
Operating Indicators by Function/Program
June 30, 2008

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government			
Zoning Permits Issued	106	66	97
Police			
Physical Arrests	96	102	126
Parking Violations	246	239	310
Traffic Violations	373	355	384
Fire			
Emergency Responses	48	51	56
Fires Extinguished	13	8	7
Refuse Collection			
Refuse collected (tons per day)	8	8	8.16
Recyclables collected (tons per day)	0.6	1	0.71
Parks & Recreation			
Pool Passes Issued (Budget Pass)	205	130	114
Pool Passes Issued (Individual Pass)	88	73	75
Pool Passes Issued (Family Pass)	250	276	302
Pool Passes Issued (Senior Pass)	11	10	10
Library			
Volumes in collection	63,895	63,905	63,905
Total volumes borrowed	228,650	226,250	226,250
Water			
New connections	28	20	8
Water main breaks	2	3	2
Average daily consumption (thousands of gallons)	1,005	953	916
Peak daily consumption (thousands of gallons)	1,900	2,028	2,028
Wastewater			
Average daily sewage treatment (thousands of gallons)	1,000	950	913

Sources: Various city departments.

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

City of Orange City
Capital Asset Statistics by Function/Program
Last Three Fiscal Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police			
Stations	1	1	1
Patrol Units	4	4	4
Fire Station	1	1	1
Other Public Works			
Streets (miles)	46	47	47
Streetlights	958	961	985
Traffic Signals	2	2	2
Parks and recreation			
Aceage	223	223	230
Playgrounds	4	4	4
Baseball/softball diamonds	2	2	2
Soccer/football fields	4	4	4
Community Center	1	1	1
Water			
Water Mains (miles)	45	47	47
Fire Hydrants	275	275	282
Storage capacity (thousands of gallons)	950	950	950
Wastewater			
Sanitary Sewers (miles)	41	41	41
Storm Sewer (miles)	19	19	19
Treatment capacity (thousands of gallons)	3,000	3,000	3,000

Sources: Various city departments

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

City of Orange City Demographic and Economic Statistics

<u>Calendar Year</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	30,143	17,413	27.9	13	999	2.6%
2006	30,143	17,413	27.9	13	999	2.6%
2007	30,143	17,413	27.9	13	999	2.6%
2008	30,143	17,413	27.9	13	1950	2.3%

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Note: GASB 44 implemented in 2005 and therefore only 3 years presented.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2008, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated January 23, 2009. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$53,768,791 and total operating revenues of \$35,144,553 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal

control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item II-A-08 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Orange City, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

January 23, 2009

Le Mars, Iowa

CITY OF ORANGE CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2008

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-08 - Certified Budget – City expenditures during the year ended June 30, 2008, exceeded amounts budgeted in the culture and recreation capital projects, public works, and business type functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-08 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

Part III: Other Findings Related to Required Statutory Reporting - (Continued)

- III-C-08 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-D-08 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-E-08 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-F-08 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-08 - Business Transactions - There were no business transactions between the City and City officials or employees during the year ended June 30, 2008.
- III-H-08 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-08 - Business Transactions - Business transactions between the City and city officials are detailed as follows:

Name, Title and Business Connection	Transaction/ Description	Amount
Teresa Jasper, part-time employee of the City Owner of Country Colors	Retailer	\$ 3,505
Bruce Muilenburg, City Council Member Owner of De Koffiehoek & Bristro	Retailer	\$ 1,134

The transaction with Bruce Muilenburg does not represent a conflict of interest. The transaction with Teresa Jasper may represent a conflict of interest due to the amount of the transactions. The City should consult legal council for determination.